



*United States Senate*  
**Committee on Small Business  
and Entrepreneurship**

*Olympia J. Snowe, Chair*

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<http://sbc.senate.gov>

For Immediate Release:

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**SNOWE ASKS SBA TO SUSPEND SURETY BOND FEE INCREASE TO HELP SMALL BUSINESSES**

(Washington, DC) – In a letter to SBA Administrator Hector Barreto, U.S. Senator Olympia J. Snowe (R-Maine), Chair of the Senate Committee on Small Business and Entrepreneurship, requested that the Small Business Administration delay a scheduled fee increase in the Surety Bond Guarantee (SBG) Program in order to help small businesses, particularly as so many seek to rebuild in the aftermath of Hurricanes Katrina and Rita. The Program allows small businesses to purchase SBA-backed surety bonds in order to better compete with larger businesses as they pursue contracting opportunities.

In her letter to Administrator Barreto, Senator Snowe wrote:

“SBA surety bonds are critical to small contracting companies’ survival. Without bonding, small contractors cannot obtain most federal contracts. In Fiscal Year 2004, because of the SBG program, a total of 7,803 small contracting surety bonds were issued, helping small companies secure an estimated \$634,000 worth of contracts and provide 5,462 jobs . . .

“The SBA’s desire to increase surety bond fees is particularly puzzling in light of your testimony during the Committee’s hearing on September 22, 2005, regarding the impact of Hurricane Katrina and Hurricane Rita on small businesses, in which you advocated increasing the maximum size of a surety bond guarantee from \$2 million to \$5 million. I wholeheartedly support that suggestion, which would allow small businesses to seek larger contracts, and in fact your testimony was similar to a provision that I had included in legislation I introduced on September 19, 2005, the Small Business, Homeowners, and Renters Disaster Relief Act of 2005, which would increase the maximum size of surety bonds to \$10 million.

“Now, however, because of the pending fee increase, many small contractors fear they will be unable to obtain needed surety bonds, of any size. Small businesses will ultimately bear the brunt of this fee, whether surety companies pass along the additional costs or decide to stop underwriting small contractors entirely. Additionally, this enormous increase may create an additional disincentive for underwriting small business surety bonds, further decreasing the declining number of SBG-participating surety firms. If a large number of surety companies exit the market place only predatory lenders will remain. Once this happens, many new small contracting companies will be unable to receive surety bonding, severely restricting the number of contracting opportunities available to them.

“Because of these concerns, I would ask you to temporarily suspend the implementation of this fee increase until further study can be conducted into the actual effects of the fee increase on

small contracting companies' ability to obtain surety bonds. I would also ask you to work closely with the SBG program's surety bonding partners and other stakeholders to conduct this study, and to work with all those stakeholders to craft a better solution than such a drastic fee increase.

"Additionally, I would like information detailing how SBA's internal analysis calculated this percentage increase, including whether the SBA discussed this fee increase, in advance of its public announcement, with the SBG programs' surety lending partners. Please also explain whether the SBA investigated the possible consequences of this increase on small contractors before the fee increase was announced."

A copy of the letter is attached.

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